2002 Initial Transmission Proposal
Direct Testimony

BPA Exhibit No.	Witness
TC-02-E-BPA-02	Dalton, Altman, Haines, Haner, Metcalf, McReynolds
TC-02-E-BPA-03	Anasis, Haines
TC-02-E-BPA-04	Stemler, Metcalf, McReynolds

March, 2000

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for Terms and Conditions Testimony

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TC-02-E-BPA-03	Redispatch Mechanism	Anasis, Haines
TC-02-E-BPA-04	Ancillary Services	Stemler, McReynolds, Metcalf

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TESTIMONY OF

MARY ANN DALTON, BRIAN D. ALTMAN, DICK L. HAINES,

JOHN M. HANER, DENNIS E. METCALF AND WARREN L. McREYNOLDS

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Witnesses for Bonneville Power Administration's Transmission Business Line

SUBJECT: OPEN ACCESS TRANSMISSION TARIFF

SECTION 1 INTRODUCTION AND PURPOSE

Q. Please state your name and qualifications?

A. My name is Mary Ann Dalton. My qualifications are stated in TC/TR-02-Q-BPA-07.

A. My name is Brian D. Altman. My qualifications are stated in TC/TR-02-Q-BPA-01.

A. My name is Richard L. Haines. My qualifications are stated in TC/TR-02-Q-BPA-09.

A. My name is John M. Haner. My qualifications are stated in TC/TR-02-Q-BPA-10.

A. My name is Dennis E. Metcalf. My qualifications are stated in TC/TR-02-Q-BPA-15.

A. My name is Warren L. McReynolds. My qualifications are stated in TC/TR-02-Q-BPA-14.

Q. Please state the purpose of your testimony.

A. The purpose of this testimony is to sponsor and describe the Bonneville Power Administration (BPA) Transmission Business Line's (TBL) proposed Open

Access Transmission Tariff (OATT) to will be effective October 1, 2001. *See* TC-02-E-BPA-01.

Q How is your testimony organized?

A. This testimony is organized into four (4) sections. The first section is this introduction, which discusses changes to the TBL's environment and the response to recent Federal Energy Regulatory Commission (FERC) orders. Section 2 discusses services and is divided into the following categories: 2.1 Common Services Provisions; 2.2 Point-to-Point Transmission Service; 2.3 Network Integration Transmission Service; and 2.4 Network Contract Demand Transmission Service. Section 3 describes TBL's System Operating Provisions. Section 4 discusses the Service Agreement template.

Q. Please describe the current transmission environment and how changes in that environment have affected TBL's OATT proposal.

A. There have been many changes to the transmission environment in the Pacific Northwest (PNW) since TBL developed its OATT in 1996. Since 1996, TBL has experienced an explosion in the quantity of transactions and number of market participants. This has resulted in a major effort to streamline and automate our scheduling and billing practices. That effort is ongoing. Implementation of a number of features of the proposed tariff by October 1, 2001 depends on successfully automating these features. TBL is committed to having the required automation in place at that time, but recognizes that there is a chance that some systems required to implement the OATT may not be completely ready. Some examples include the Redispatch Mechanism, the

"bumping" procedures associated with short term firm Point-to-Point transmission requests, systems that will allow transmission and Ancillary Services associated with the Slice product to be implemented, and the billing of transmission contract holders on an hourly basis for contingency reserves based on generation serving firm load in the BPA Control Area.

BPA has completed its functional separation of the transmission and power business lines, including completely separating the power and transmission scheduling functions, and has adopted and gained approval of Standards of Conduct. Since BPA does not claim any native load, all new Power Business Line (PBL) transmission is purchased under the 1996 OATT. Most of the PBL's existing grandfathered bundled power sales expire on October 1, 2001. TBL expects that for most of PBL's power sales in the region, the power customer rather than PBL will purchase the transmission and sign a proposed OATT Service Agreement. In the *pro forma* tariff, FERC appears to use the term Transmission Provider to refer to the integrated utility, including the transmission function, the wholesale merchant function and the function that serves native load. TBL proposes to modify its tariff to clarify these functional roles. TBL uses the term Transmission Provider only when the OATT is referencing the transmission function. When the OATT is referencing the wholesale merchant function, TBL replaced the term Transmission Provider with the term Merchant Function. Finally, where the OATT is referencing the native load service function, the provisions have been eliminated. For example the obligation of the Transmission Provider to redispatch under sections 13.5 and

33.2 of the FERC *pro forma* tariff have been removed, since those obligations appear to be related to native load service. Of course, PBL will have redispatch obligations to the extent transmission for its resources is provided under the Network Integration or Network Contract Demand Transmission Services.

FERC has issued Order 2000 concerning Regional Transmission Organization (RTO) formation, and TBL has agreed to RTO filing principles with other transmission owners. Therefore, TBL has included a provision (see Section 24 of the OATT), that provides for conversion of service under TBL's tariff and rate schedules to service under the RTO tariff and rate schedules.

FERC has just recently issued Order 638, which clarifies a number of issues with respect to the FERC *pro forma* tariff.

Q. *Did BPA change anything in its proposed OATT as a result of the recent FERC Order 638?*

A. Yes, TBL will adopt the mandatory business standards described in the Order.

Q. Please explain.

A. TBL will utilize a three-step confirmation process consistent with Order 638 for all transmission service requests. The three steps refer to the customer request, the Transmission Provider acceptance, and the customer confirming service. Currently TBL requires all hourly requests to be preconfirmed, resulting in a two step process. Pre-confirmation of long-term and short-term transmission service requests will be allowed but not required.

TBL will implement Tables 4-2 and 4-3 in Order 638 with minor modifications to include transmission services not offered by the FERC *pro forma* tariff.

Since Order 638 does not mandate for daily, weekly, and monthly services that they be fixed, sliding, or extended, TBL will continue to propose a daily firm service that can be requested from one (1) day to 364 days. However, TBL will require that all long-term transmission service requests submitted to TBL be consistent with the "extended yearly" definition in Order 638 and the FERC *pro forma* tariff.

TBL will communicate with its Transmission Customers regarding all transmission requests using the status definitions described in Attachment C of Order 638.

Ancillary Services provision may be submitted for each transmission reservation or on a yearly basis at the discretion of the Transmission Customer.

Since Order 638 mandates that nonfirm transmission scheduled over secondary Points of Delivery (POD) and Points of Receipt (POR) will be the lowest priority service, TBL will require all hourly nonfirm using secondary paths be identified by the Transmission Customer at the time of the service request. TBL will no longer provide an after-the-fact sheltering service because this service would not agree with the mandated priority.

TBL will continue with a "first come, first served" methodology and not pursue the "first to confirm" methodology that was presented to TBL's Transmission Customers in several workshops. TBL will also adopt the short-

term firm bumping methodology described in the FERC *pro forma* tariff and in the FERC Order 638. This would include the description of "conditional" and unconditional" status periods for all short term firm requests.

Some of the items above constitute a change from TBL's 1996 OATT terms and conditions. It is important to note that Order 638 describes mandatory business practices, not guidelines for business practices.

Q. What OATT services does the TBL propose to offer beginning October 1, 2001?

A. TBL proposes to offer two existing transmission services that are currently being offered by TBL and one new transmission service. The two existing services, Point-to-Point and Network Integration Transmission Services, are modeled after the FERC *pro forma* tariff but are modified to some extent by TBL to reflect its own circumstances and experience since the 1996 OATT went into effect. In addition, TBL proposes to offer a new service, Network Contract Demand Transmission Service.

Q. With the addition of Network Contract Demand Transmission Service, how will Point-to-Point, Network Integration, and Network Contract Demand Transmission Services be prioritized during the firm bumping and curtailment processes?

A. There will be no bumping of Long-Term Firm Point-to-Point, Network Integration, and Network Contract Demand Transmission Services. These services will be queued on a first come, first served basis and will be removed from the queue at the time the Transmission Customer either withdraws the request, confirms the request, or fails to confirm the request before the

confirmation deadline. All daily firm transmission requests can be bumped by long-term requests or other short-term firm requests. The following rules will apply:

1. Daily Firm Point-to-Point and Network Contract Demand requests can only be bumped when they are conditional.
2. Unconfirmed daily firm requests can only bump other shorter-term daily firm requests that are also unconfirmed.
3. Confirmed daily firm requests can bump shorter-term daily firm requests, whether confirmed or not.
4. Point-to-Point daily firm requests can bump Network Contract Demand daily firm requests regardless of the duration of the Point-to-Point requests (a longer duration is not required).
5. Network Contract Demand daily firm requests can not bump Point-to-Point or Network Contract Demand daily firm requests.

In the event of curtailment of firm schedules all firm schedules have equal status during curtailment.

SECTION 2 CUSTOMER SERVICE PROVISIONS

Section 2.1 Common Service Provisions

Q. What substantive changes has TBL proposed to the Definitions located in the Common Service Provisions of the FERC pro forma tariff?

A. TBL proposes the following additions and modifications to the Definitions in the Common Service Provisions of the FERC *pro forma* tariff:

(1) Additions:

(a) Direct Assignment Facilities: clarifies that these facilities are not part of the Integrated Network, unlike Network Upgrades.

(b) Dynamic Schedules: describes the process of accounting for Dynamic Transfer in pre-schedule, real-time, Automatic Generation Control (AGC), end-of-hour accounting, and after-the-fact accounting. It includes the implementation of a schedule in the AGC of the sending, receiving and intermediate control areas as well as the monitoring of the schedule against Transmission Demand and any limitations imposed due to violations of the terms and conditions of the Dynamic Schedule.

(c) Dynamic Transfer: describes the group of services used to supply Control Area boundary changes for loads or generation and for providing supplemental Control Area services. For Control Area boundary changes, the entire load is probably transferred, or all or a portion of generation is transferred. For providing supplemental Control Area services, usually a portion of Control Area services is provided to supplement services needed by a customer. To accomplish this Dynamic Transfer, several components of a Transmission Provider's resources come into play. Examples include AGC, transmission capacity, scheduling and dispatching services, telemetry equipment, special operating procedures, and billing for unauthorized transmission use.

(d) Reservation Fee: describes a fee paid to defer the commencement of Long-Term Firm Point-to-Point or Network Contract Demand Transmission Services by the Transmission Customer.

(2) Modifications:

(a) TBL has changed the definition of "Eligible Customer" to include aggregators of retail distribution customers taking service under a state retail access program and retail consumers taking service under a voluntary offer by the TBL when delivery is made to the distribution system of the customer's or consumer's distribution utility. TBL cannot commit to provide transmission services to each individual retail consumer under a state retail access program nor does it intend to provide service to a consumer that bypasses its distribution utility's distribution system. The definition also includes BPA's direct service industrial customers who are eligible under existing BPA policy and contracts.

(b) TBL has changed "Reserved Capacity" to "Transmission Demand" since "Transmission Demand" is commonly used in TBL's Service Agreements. Transmission Demand describes the level of service a PTP or NCD Transmission Customer is purchasing from TBL. Transmission Demand for Dynamic Schedules is required to assure the transmission capacity is used for the purpose intended. Transferring load or generation between Control Areas or across the TBL Transmission System causes line

loading to exceed the hourly average loading. The impact on reliability becomes significant for load peaks sustained for more than one (1) minute. For this reason, adequate transmission must be reserved to assure the capacity is available during the entire contract period and in time increments consistent with variability of the line loads. Transmission Demand for Dynamic Schedules is required to assure adequate transmission capacity for the possible sustained use of a supplemental Control Area service that impacts the Transmission System for any length of time greater than one (1) minute. Since there is no predictable way of knowing how long a supplemental use may occur, the maximum demand requested is assumed to be required for the entire demand interval.

Q. Has TBL relocated any provisions in Parts II or III of the FERC pro forma tariff to the Common Service Provisions?

A. There are numerous sections in Parts II and III of the FERC *pro forma* tariff that are, or should be, applicable to all three transmission services being offered by TBL. TBL proposes that these applicable sections be moved from the Point-to-Point and Network Integration Transmission Services sections into the Common Service Provisions as stated below:

(1) Section 6.3 - Use of Firm Transmission Service for Third Party Sales by the Transmission Provider (FERC *pro forma* at section13.3);

(2) Section 7.1 – Designation of Rates (FERC *pro forma* at section 34);

(3) Section 7.2 – Stranded Cost Recovery (FERC *pro forma* at sections 26 and 34.5);

(4) Section 7.3 - Compensation for New Facilities Costs (FERC *pro forma* at section 27);

(5) Section 13 - Additional Study Procedures for Firm Transmission Service Requests (FERC *pro forma* at sections 19 and 32);

(6) Section 14 - Procedures if the Transmission Provider is Unable to Complete New Transmission Facilities for Firm Transmission Service (FERC *pro forma* at section 20);

(7) Section 15 - Provisions Relating to Transmission Construction and Services on the Systems of Other Utilities (FERC *pro forma* at section 21);

(8) Section 16 - Operating Provisions (FERC *pro forma* at section 35), which include:

(a) Operating under the System Operating Provisions (FERC *pro forma* at section35.1);

(b) System Operating Provisions (FERC *pro forma* at section 35.2);

(c) System Operating Committee (FERC *pro forma* at section 35.3); and

(d) Technical Arrangements to be completed Prior to Commencement of Service (FERC *pro forma* at section 29.3);

(9) Section 17 - General Service Availability, which includes:

(a) Determination of Available Transmission Capability (FERC *pro forma* at sections 15.2 and 18.4);

(b) Initiating Service in the Absence of an Executed Service Agreement (FERC *pro forma* at section 15.3); and

(c) Service Agreements (FERC *pro forma* at section13.4);

(10) Section 18 - Transmission Losses (FERC *pro forma* at sections 15.7 and 28.5);

(11) Section 22 - Curtailments and Load Shedding which includes:

(a) System Reliability (FERC *pro forma* at section 33.7);

(b) Curtailment of Nonfirm Transmission Service (FERC *pro forma* at section 14.7);

(c) Curtailment of Firm Transmission Service (FERC *pro forma* at section 13.6);

(d) Load Shedding Procedures (FERC *pro forma* at sections 33.6 and 33.1); and

(12) Section 23 - Metering and Power Factor Correction at Receipt and Delivery Point(s) (FERC *pro forma* at section 24).

Q. Has TBL added any sections to the Common Service Provisions that were not included in FERC's pro forma tariff?

A. Yes. In addition to the changes in the Definitions section described above, TBL has included seven (7) new sections in the Common Service Provisions, which

are applicable to all three (3) transmission services as stated below:

(1) Section 12 - Conversion of Existing Agreements;

(2) Section 15.3 - Transmission Provider Payment for the Use of Third Party Facilities;

(3) Section 19 - Designated Agent;

(4) Section 20 - Load Reduction Due to Changes in Federal or State Law;

(5) Section 21 - BPA Appropriations Refinancing Act, Public Law 104-134;

(6) Section 22.5 - Redispatch and Curtailment Management; and

(7) Section 24 - Regional Transmission Organization Formation.

Q. Please describe the new sections TBL proposes to include in the Common Services Provisions.

A. TBL has added Section 12, Conversion of Existing Agreements, to its proposed OATT. This section describes how Transmission Customers with existing transmission agreements may convert to services offered under TBL's proposed OATT and establishes a time frame for such conversions from October 1, 2001 to March 1, 2002.

TBL has added section 15.3, Transmission Provider Payment for the Use of Third Party Facilities, which describes when TBL would acquire and pay for, or reimburse Transmission Customer for its costs for the acquisition of, third-party transmission and transmission losses needed in order to serve the Transmission Customers' native loads. The decision to offer this service is being made in BPA's 2002 Power Rate Case and the final decision in that case will be incorporated into the final OATT.

TBL has added section 19, Designated Agent, which clarifies that the Eligible Customer and/or the Transmission Customer is responsible for identifying to TBL in writing (a) its Designated Agent, and (b) what functions the Eligible Customer and/or the Transmission Customer has delegated to its Designated Agent.

TBL has added section 20, Load Reduction Due to Changes in Federal or State Law. This section describes the process by which the Transmission Customer may negotiate reductions in Transmission Demand to respond to losses of retail load due to changes in Federal or State Law.

Section 21, BPA Appropriations Refinancing Act, P.L. 104-134, incorporates into the proposed OATT, and thus into the Service Agreements, statutory provisions which BPA is required by law to offer to its Transmission Customers.

TBL has added section 22.5, Redispatch and Curtailment Management, TBL discusses the methodology for implementing its congestion management process. See testimony of Anasis, TC/TR-02-Q-BPA-02.

Section 24, Regional Transmission Organization (RTO) Formation, was included to provide TBL the ability to convert transmission services under the OATT to transmission service under an RTO tariff and rate schedules if an RTO including BPA facilities is formed.

Q. Does TBL propose to make substantive changes, excluding changes to definitions, to the Common Service Provisions included in the FERC pro forma tariff?

A. Yes. TBL proposes to make changes in sections 9, 11, 13, 16, and 22 of the *pro forma* tariff.

Q. Please describe TBL's proposed changes to the Common Service Provisions.

A. In section 9, Force Majeure and Indemnification (FERC *pro forma* at section 10), TBL proposes additional language in the Indemnification section to address the Agreement Limiting Liability Among Western Interconnected Systems.

In section 11, Dispute Resolution Procedures (FERC *pro forma* at section 12), TBL proposes language under the Dispute Resolution Procedures section that incorporates existing Northwest Regional Transmission Association (NRTA) and Western Regional Transmission Association (WRTA) dispute resolution procedures.

In section 13.4, Facilities Study Procedures (FERC *pro forma* at sections 19.4 and 32.4), TBL has removed the option allowing the Transmission Customer to finance the construction of an addition or upgrade with a letter of credit equivalent to the costs of new facilities or upgrades. The Transmission Customer pays for construction of facilities owned by the Transmission Customer in accordance with TBL's Advance Funding Rate Schedule. In addition, TBL has required that if the Transmission Customer elects to have a facility constructed, TBL will need to have an executed Construction Agreement, as well as an executed Service Agreement, prior to commencing construction of the facilities.

In section 13.7, Partial Interim Service (FERC *pro forma* at section 19.7), TBL clarifies that it will accommodate partial requests, without the addition of any facilities, at the maximum flat Transmission Demand that is available for the entire term of the requested firm transmission service rather than at differing demand levels depending on the month or year.

In section 16.2, System Operating Provisions (FERC *pro forma* at section 35.2), TBL proposes that Transmission Customers operate their facilities that interface with TBL's Transmission System pursuant to the System Operating Provisions incorporated in TBL's proposed OATT or pursuant to a separate Interconnection Agreement acceptable to the TBL.

TBL clarifies in section 16.4, Technical Arrangements to be Completed Prior to Commencement of Service (FERC *pro forma* at section 29.3), that transmission service shall not commence until all equipment is installed in accordance with the System Operating Provisions and the Construction Agreement, if applicable.

In section 22.1, System Reliability (FERC *pro forma* at section 33.7), TBL proposes to require all Transmission Customers, when requested by TBL, to submit load forecasts, generation forecasts, schedules, and any other information necessary to implement and verify compliance with Curtailment, Load Shedding, and congestion management procedures.

Under section 22.4, Load Shedding Procedures (FERC *pro forma* at sections 33.1 and 33.6), TBL clarifies that all Transmission Customers shall establish with the TBL, as necessary, Load Shedding procedures consistent with

any North American Electric Reliability Council (NERC), Western Systems Coordinating Council (WSCC), or Northwest Power Pool (NWPP) load shedding policies. The need for load shedding is determined by the location of the load (both its physical connection to the transmission system and the control area it is located in), the size of the load, how it varies over time, and any special characteristics it might have (such as sensitivities to voltage or frequency changes). The reliability criteria and policies of NERC, WSCC, and NWPP are used to analyze the need for load shedding for any given set of circumstances and determine the amount of load shedding required and the conditions for which the load shedding must be initiated. The type of transmission service used to serve the load is not a determining factor. The need for load shedding is not driven by whether the load is taking Point-to-Point, Network Integration, or Network Contract Demand Transmission Service. Therefore, the load shedding requirement in the tariff cannot be limited to only one type of transmission service. It must apply to all three types of transmission service.

Q. Did TBL omit any sections or parts of a section in the Common Service Provisions in FERC's pro forma tariff?

A. Yes, TBL omitted the following sections:

(1) Initial Allocation and Renewal Procedures (FERC *pro forma* at section 2)

(2) Local Furnishing Bonds (FERC *pro forma* at section 5)

Q. Please describe why TBL omitted these sections.

A. The Initial Allocation of Available Transmission Capacity (FERC *pro forma* at section 2.1) appears to apply only to the period when service is first offered

under the 1996 OATT, which for TBL was October 1 to December 1, 1996. It is not needed for a revision to the OATT because reservations made under the 1996 OATT will continue to be valid under the proposed OATT.

The Reservation Priority for Existing Firm Service Customers (FERC *pro forma* at section 2.2) conflicts with other provisions of the *pro forma* tariff. It appears to give any Transmission Customer with a firm contract of one (1) year or more the ability to wait until its contract is almost ready to expire before deciding whether to renew the service. In order to implement this provision, all competing requests for long-term firm service would be required to remain as pending or as conditional until the customer with the existing firm contract decides whether to continue service. However, the procedures for responding to a request for long term firm transmission service require the Transmission Provider to respond to a Completed Application within thirty (30) days. In addition, this provision would appear to invite gaming on constrained interfaces normally used for economy transactions, such as the Southern Intertie. For example, a Transmission Customer with a one (1) year agreement on the Southern Intertie that expired on April 1 could wait until the last minute and base its decision on whether to renew based on the most up to date forecasts of market conditions (water conditions in the PNW, gas prices, Pacific Southwest (PSW) resource availability, etc.), even though there might be other Transmission Customers that would be willing to commit to purchase the capacity earlier if given the opportunity. Therefore TBL proposes to eliminate this reservation

priority because of its adverse effect on TBL's ability to market available transmission capability (ATC) and to provide the certainty needed by customers.

The Local Furnishing Bonds (FERC *pro forma* at section 5) deals with tax exempt bonds that utilities may have sold to finance the construction of transmission facilities on the basis of providing power to the local area and where they might be in jeopardy of losing the tax exempt status if they use the facilities to transmit the power outside the local area. It does not apply to federal transmission providers such as TBL.

Section 2.2 Point-to-Point Transmission Service

Q. Please briefly describe areas where the TBL's proposed OATT differs from FERC's pro forma Point-to-Point Transmission Service.

A. TBL is proposing to allow Transmission Customers to purchase transmission in hourly increments of firm (Hourly Firm) (FERC *pro forma* only provides for hourly nonfirm) Point-to-Point Transmission Service up to one (1) day and daily increments of firm (Daily Firm) Point-to-Point Transmission Service up to 364 days. TBL is proposing to eliminate the more restrictive Weekly and Monthly Point-to-Point products because daily products provide more flexibility. TBL is also proposing to change the deadline for submitting schedule changes during the real-time scheduling period to thirty (30) minutes before the hour in order to allow time for TBL to perform its congestion management process.

Q. Why is TBL adding the "hourly firm transmission" service?

A. With more transactions occurring on an hourly basis in the marketplace TBL's Transmission Customers have indicated a need for more hourly flexibility. If the

Transmission Customers are required to pay for daily transmission service when the power transaction is only for a few hours the transaction often does not occur. This "hourly firm transmission" service provides a mechanism to the Transmission Customers to more flexibly participate in the hourly power market.

Q. Are there any changes to nonfirm reservation and scheduling procedures?

A. Yes, nonfirm service will only be offered for a period not to exceed thirty-one (31) consecutive days. No sequential daily nonfirm requests at the end of the period before the reservation window opens will be permitted. Also, TBL is opening the window for daily nonfirm requests closer to the delivery day than allowed in the current TBL OATT (fourteen (14) days before delivery day replaces sixty (60) days before the delivery day).

In three and a half years under the current OATT, TBL has yet to receive a request for daily, weekly, or monthly nonfirm transmission service. Currently, daily nonfirm transmission service can be bumped up to twenty (20) minutes before the hour of delivery by any firm transmission request and by any longer term nonfirm transmission request. It appears the market wants more certainty regarding the availability of transmission. Therefore, TBL does not intend to spend time automating the nonfirm reservation process when the market has not indicated this is a valuable service.

Q. Why will Daily Firm Point to Point Service provide more flexibility than the FERC pro-forma Weekly and Monthly Firm Point to Point services?

A. The FERC *pro forma* weekly and monthly firm transmission services require the reservation to be in increments of a week or a month. TBL's

daily firm transmission service allows the Transmission Customer to request service for any period up to 364 consecutive days just by submitting start and stop dates. Essentially, the daily firm proposal combines into one service the Extended Daily, Extended Weekly, and Extended Monthly services described in Order 638.

Q. *Why is TBL changing the deadline for submission of schedule changes during the real-time?*

A. The FERC *pro forma* tariff and TBL's current OATT state that the real-time deadline for submission of schedule changes is twenty (20) minutes before the hour of delivery. TBL is proposing to change the deadline to thirty (30) minutes before the hour of delivery. More time is required to implement the scheduling process because of the following factors: (a) the real-time management of ATC and transmission congestion using Redispatch and Curtailment methodologies that depend on the identification of transmission reservations and schedules; (b) the increasing volume of hourly market requests; (c) the establishment of an Ancillary Services market which necessitates Ancillary Service tracking by a transmission reservation request; and (d) the process for accepting or rejecting sales of hourly firm and nonfirm transmission in the short term market.

Q. *What changes does TBL propose to the procedures for arranging firm Point-to-Point Transmission Service?*

A. TBL proposes language in section 29.2(a), sub-paragraph (8) that requires information on how the Transmission Customer intends to serve its load where the estimated peak load at a POD differs from the Transmission Demand at that

same POD. This will allow TBL to identify PODs where it may be necessary to install load shedding capability.

In sections 29.1(b) and 29.2(b), TBL proposes to eliminate some of the information required when submitting a Completed Application for daily and hourly firm transmission services when the Transmission Customer is only requesting an umbrella Service Agreement. Once an umbrella Service Agreement is in place, the Transmission Customer will be required to submit information over the OASIS related to specific daily or hourly firm requests such as the identity of PORs, PODs, and the requested Transmission Demand.

TBL proposes to re-title and insert language into section 29.5, *Extensions of Commencement of Service* to *Postponements of Commencement of Service* (*pro forma* tariff at section 17.7). TBL proposes to clarify that if the requested transmission service commences within 225 days from the date that the TBL receives a Completed Application from the Transmission Customer, the request shall be considered a request for immediate service and not require a Reservation Fee. Transmission service that begins more than 225 days from the date of receipt of a Completed Application from the Transmission Customer requires a Reservation Fee. In addition, TBL proposes to clarify that if a Transmission Customer has postponed transmission service and is within 180 days of commencing such service as of the date of receipt of the competing Completed Application, it will be deemed to have immediate

service and will not be required to make an election to commence service immediately or forfeit that transmission service.

Q. *Why isn't TBL applying the Reservation Fee for service that commences within 225 days of the Application date?*

A. TBL decided to allow customers a reasonable time period during which service would not be considered postponed. For example, a service commencement date two (2) days after the Service Agreement is executed is insignificant in terms of either the Transmission Provider's revenues or the efficient utilization of the transmission system. By incorporating the 225-day period, customers do not have to wait until the last minute to request transmission service in order to avoid paying a Reservation Fee. The TBL concluded that 225 days was the appropriate time period (allowing thirty (30) days for TBL to provide a Service Agreement, the Transmission Customer fifteen (15) days to execute the Service Agreement, and a 180 day grace period), and proposes to utilize this time period in its proposed OATT. TBL also proposes that the right to postpone the commencement of service beyond 225 days should come with a price because of the potential adverse impact on TBL revenues. Any period longer than 225 days, would require the TBL to tie up ATC, without compensation, for an inordinate length of time, and therefore, proposes that a Reservation Fee be paid by the Transmission Customer to preserve its priority to service with respect to other Applicants if service to the Transmission Customer is to be postponed beyond 225 days.

Q. What changes does TBL propose to the procedures for arranging nonfirm Point-to-Point Transmission Service?

A. In Section 30, TBL proposes to eliminate some of the information required when submitting a Completed Application for daily and hourly nonfirm transmission services when the Transmission Customer is only requesting an umbrella Service Agreement. Once an umbrella Service Agreement has been executed, the Transmission Customer will be required to submit information over the OASIS related to specific daily and hourly nonfirm requests including, without limitation, the identity of PORs, PODs, and the requested Transmission Demand.

Q. What changes does TBL propose for the Sale or Assignment of Transmission Service?

A. In Section 32.1, TBL proposes that the term for all assignments by the Transmission Customer shall be for the remaining term of the Transmission Customer's Service Agreement with TBL.

Q. Why is TBL limiting Point-to-Point service at Secondary Points of Receipt and Delivery to hourly nonfirm?

A. Point-to-Point service at secondary points has the lowest priority of service under the tariff (see Section 26.2) and thus the Transmission Provider can only guarantee it for one (1) hour.

Q. *Why is Point-to-Point service at secondary points limited to the segment over which the primary service is being provided?*

A. TBL has always treated the segments separately for ratemaking, cost recovery, and service provision. A Transmission Customer with a Service Agreement for Point-to-Point Transmission Service on the Integrated Network Transmission System (Network) is only paying Network costs, so there is no basis for allowing the Transmission Customer to use the Southern Intertie or the Montana Intertie without additional charge.

Q. *Why does TBL prohibit nonfirm Point-to-Point service at secondary points where a short distance discount is provided?*

A. The short distance discount is based on the locations of the primary POR and POD and the rate paid does not fully recover the cost of service over the Network, as a whole. Therefore it would be inappropriate to allow the use of other PORs or PODs at no additional charge.

Q. *Why does TBL require compliance with applicable environmental law before executing a Service Agreement for Point-to-Point, Network Integration, and Network Contract Demand Transmission Services?*

A. As a federal Transmission Provider, TBL is subject to the National Environmental Protection Act (NEPA), whereas the FERC *pro forma* tariff is written for nonfederal utilities that are not subject to NEPA requirements.

Section 2.3 Network Integration Transmission Service

Q. Please describe the areas where TBL's proposed OATT differs from FERC's pro forma Network Integration Transmission Service?

A. TBL is proposing that a request for Network Integration Service (Section 34.2), a designation of a new Network Resource (Section 35.2), a designation of new Network Load (Section 36.2), and notification of a new delivery point or interconnection point (Section 36.4) be submitted to the TBL a minimum of sixty (60) days prior to the calendar month in which the service is to commence. TBL is also proposing that termination of a Network Resource (Section 35.3) be accomplished only upon notification to TBL at least sixty (60) days prior to the calendar month in which service is to terminate. This minimum notification period is necessary for the TBL to accomplish its other responsibilities in a timely manner.

In addition to the sixty (60) day notification periods discussed above, TBL is proposing, in Section 38.6, different deadlines for responses to transmission service requests and contract execution. TBL's response to the Transmission Customer's Completed Application, will be due thirty (30) days from the date of receipt of the Completed Application. The Transmission Customer will be required to execute the Service Agreement within fifteen (15) days from the date of receipt of the offer by TBL. These timelines are the same for Long-Term Firm Point-to-Point and Network Contract Demand Transmission Services and provide both the customer and the TBL with greater certainty.

Section 35.8 requires schedules for all Network Resources located outside TBL's Control Area to be submitted to TBL in order to manage ATC and congestion management, and implement the redispatch methodology. In addition, submission of these schedules are required by NERC standards. Finally, in Section 36.7, TBL provides the Network Integration Customer with the option to exclude some of its Network Load from the billing determinant for the Base Charge under the Network Integration Transmission Service rate. The Network Integration Customer may declare loads served by other transmission arrangements as Customer-Served Load. The Network Integration Base Charge does not apply to declared Customer-Served Load. TBL proposes to require a Network Integration Customer declaring Customer-Served Load to submit a list of twelve (12) monthly numbers representing its Customer-Served Load. Requests for decreases to any of these numbers shall be treated as a request for an increase in Network Load. Increases to these numbers resulting from redesignation of existing load shall require a two- (2) year notification to TBL.

For ATC calculations, TBL proposes in Section 38.4(d)(4) and (5) to explicitly require, as part of the Completed Application, the submission of information on the (1) location of the PORs and Control Area, and (2) verification of firm rights to the Network Resources and the terms of those rights.

Section 2.4 Network Contract Demand Transmission Service

Q. Please describe the Network Contract Demand Transmission Service.

A. The Network Contract Demand Transmission Service is designed to offer Transmission Customers flexible transmission service from multiple Network

Resources to multiple PODs and may be used to deliver power to serve the transmission customer's loads as well as make third party sales. Transmission Demands are required to be established at PODs but not at PORs.

Q. Why is TBL proposing to offer the Network Contract Demand Transmission Service?

A. In the series of customer workshops that TBL held over the past few years, many customers and customer representatives expressed a strong desire for this type of service. Many of these customers are partial requirements customers of TBL's Merchant Function (PBL). These customers wanted a transmission service that would enable them to integrate their PBL purchases, their own resources, and purchases from others without having to designate and pay for contract demands at individual resources. They also wanted the ability to deliver the power to their system to serve their load and to make off-system sales when they had surpluses.

The customers argued that neither the Network Integration nor the Point-to-Point Transmission Services met their needs in this regard. The Point-to-Point Transmission Service is poorly suited for "system" purchases, where the power is coming from many resources, rather than designated amounts at particular resources. The Network Integration Transmission Service contains flexibility for system purchases, but does not provide for off-system sales and is not well suited to a utility that serves much of its load with internal generation or over its own transmission system. In particular, customers that were interested in purchasing PBL's "Slice of the System" (Slice) product requested that TBL offer the

Network Contract Demand Transmission Service for transmission of the Slice product.

Q. Why does Slice create a demand for Network Contract Demand Transmission Service?

A. There are two aspects of Slice that create a demand for a flexible transmission service like the Network Contract Demand Transmission Service. First the Slice product itself, as TBL understands it, is based on a percentage of the total capability of the Federal Columbia River Power System (FCRPS), not on any particular rights at specific resources. Secondly, the seasonal shape of the product follows the shape of FCRPS generation. This may create seasonal surpluses for some Slice customers during the runoff period, which creates a need to market those surpluses off-system. TBL understands that there may be a number of customers interested in Slice who in the past needed transmission only to serve their loads.

Q. Has FERC provided any guidance in how the Network Contract Demand Transmission Service should be designed?

A. Yes. FERC rulings concerning Florida Power Corporation's Network Contract Demand tariff and TBL's 1996 "no POI" proposal guided TBL's development of the Network Contract Demand Transmission Service. As TBL understands it, FERC enunciated two important principles in these rulings. The first is that Network Resources and associated PORs cannot be restricted to resources directly connected to the Transmission Provider's Transmission System or located in its Control Area. TBL's proposed Network Contract Demand

Transmission Service contains no such restriction. Network Resources can be located off the Federal Columbia River Transmission System, inside another transmission owner's system, and PORs can be interfaces between TBL's Transmission System and neighboring transmission systems.

The second principle contained in the FERC decisions is that the flexibility at PORs should be matched by equivalent flexibility at PODs. TBL's proposed Network Contract Demand Transmission Service allows customers to receive firm service at secondary PODs, on an as-available basis. This flexibility is essentially equivalent to the flexibility that Network Contract Demand Customers have to utilize their Network Resources.

Q. *How does the flexibility at PODs in your proposal compare to the flexibility in Florida Power Corporation's Network Contract Demand tariff?*

A. TBL's proposal is superior in two important ways. First, Florida Power Corporation limits the flexibility to the primary PODs in the Service Agreement, whereas TBL proposes to allow firm service at secondary PODs anywhere on the Network where capacity is available. That is, no distinction is made between a request to exceed a customer's Transmission Demand at a primary POD and a request for service at a POD not listed in the Service Agreement. Second, the Florida Power Corporation tariff requires customers to request firm service that exceeds the Transmission Demands at primary PODs one day at a time, whereas TBL proposes to allow Network Contract Demand Customers to request firm service at secondary points for any number of contiguous days less than one (1) year.

Q. *Why does TBL propose to allow firm service at other than primary points?*

A. TBL was concerned that allowing flexibility only at primary points would lead to gaming. Network Contract Demand Customers would have the incentive to establish one (1) MW PODs all over the Network in order to have those points included as primary PODs and gain the inherent flexibility associated with primary PODs. In addition, TBL already has the procedures in place to implement firm service at secondary points anywhere on the Network.

Q. *Why does TBL allow firm flexibility at PODs for more than one day at a time?*

A. Customers requested this ability stating that they frequently will want service at secondary points on a weekly or monthly basis. If service is only granted one day at a time the customer would be forced to repeat the same request day after day, and TBL would have to separately process each request, placing an additional burden on the scheduling and reservation systems. In addition, once the request is past the conditional deadline, the TBL's proposal gives the customers certainty that transmission is available for the term of the request, and, since the proposed OATT requires the customers to designate which primary POD is being moved, it allows TBL to market short term firm transmission over that freed up path for the duration of the short-term firm movement.

Q. *Were there other goals TBL had when designing the Network Contract Demand Transmission Service?*

A. Yes. TBL was concerned about the additional complexity associated with offering a third transmission service, so TBL tried to design the service so that

much of it could be implemented with procedures for Point-to-Point Transmission Service. In particular the methods for requesting firm service at secondary PODs for Network Contract Demand Transmission Service will be handled using most of the same methods as requests for new Daily Firm Point-to-Point Transmission Service. This is one of the reasons the Network Contract Demand Transmission Service requires such requests include a designation of the primary POR associated with the secondary POD. The other reason is to help with ATC calculations. Similarly, requests for hourly nonfirm service by Network Contract Demand Customers will be handled as Point-to-Point Transmission Service requests, and if the customer designates the request as a use of secondary points under the Service Agreement for Network Contract Demand Transmission Service, then it will be "sheltered" under unused Network Contract Demand Transmission Demand.

SECTION 3 SYSTEM OPERATING PROVISIONS

Q. *What prompted the TBL to write the Preliminary Technical Requirements for the connection of Transmission Lines and Loads and the Technical Requirements for the Interconnection of Generation Resource Standards?*

A. NERC and WSCC require that electric utilities have standards for the connection of transmission lines and loads and for the interconnection of generation resources to ensure the safe and reliable operation of the transmission system and interconnection facilities.

Q. *How do other transmission providers' interconnection standards compare with the TBL standards?*

A. The TBL standards are similar to other utility standards reviewed. TBL has made its standards available, when requested, to other utilities that are in the process of creating their own standards.

Q. *Did TBL seek customer input to these interconnection standards when being written?*

A. Yes. Selected utilities, customers, and generation developers outside the TBL extensively reviewed these documents. Comments were incorporated and modifications were made where appropriate.

Q. *Do these requirements apply to all Transmission Customers taking transmission service under the proposed OATT?*

A. Yes, they do.

Q. *Please explain.*

A. The topics addressed in the System Operating Provisions do not depend on the type of transmission service the Transmission Customer is taking. The System Operating Provisions address the physical interconnection between the Parties and associated operations. NERC, WSCC, and NWPP standards drive the need for the System Operating Provisions, not whether the Transmission Customer is taking Point-to-Point, Network Integration, or Network Contract Demand Transmission Service. Therefore, the System Operating Provisions requirement in the proposed OATT cannot be limited to only one (1) type of transmission service. It must apply to all three (3) types of service.

Q Many of the requirements are set out in the "Preliminary Technical Requirements" document. Under what circumstances can TBL change this document and thereby change the requirements on the Transmission Customers?

A The primary reason for changing the Technical Requirements is in response to revised reliability standards issued by NERC, WSCC and NWPP. NERC and WSCC revisions are developed in a public forum that allows all interested parties to contribute their concerns before they standard becomes effective. This makes the TBL technical requirements essentially consistent with national and regional practices. Another reason to change the Technical Requirements may be due to Transmission Customer specific requirements that could arise in the process of implementing Ancillary Service self-provision conditions.

Q. Please describe how the "Contingency Reserves" requirement (in this document) relate to and interact with the "Operating Reserves" requirement in the Tariff?

A. The terms Contingency Reserves and Operating Reserves are used interchangeably. Contingency Reserves is the terminology used by NERC to describe the FERC terms for Operating Reserves. NERC has its own definition of Operating Reserve, which includes the sum of Regulating Reserve and Contingency Reserve. The equivalent terminology is:

(1) Contingency Reserve – Spinning = Operating Reserve – Spinning

(2) Contingency Reserve – Non-Spinning = Operating Reserve – Supplemental.

SECTION 4 SERVICE AGREEMENTS

Q, Will there be a separate contract template for each of the three services (Point-to-Point, Network Integration, and Network Contract Demand Transmission Services) offered under TBL's tariff?

A. No. TBL is proposing one Service Agreement with separate exhibits to provide for each of the three various services.

Q. May a Transmission Customer have more than one transmission Service Agreement with the TBL?

A. Yes. Although each Transmission Customer will have only one service agreement for transmission services provided under the proposed Tariff, the Transmission Customer may have other previously executed transmission contracts (e.g., FPT, IR).

Q. Does this conclude your testimony?

A. Yes.

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TESTIMONY OF

JOHN G. ANASIS AND RICHARD L. HAINES

Witnesses for Bonneville Power Administration Transmission Business Line

SUBJECT: Redispatch Mechanism

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TESTIMONY OF

JOHN G. ANASIS AND RICHARD L. HAINES

Witnesses for the Bonneville Power Administration Transmission Business Line

SUBJECT: REDISPATCH MECHANISM

SECTION 1 INTRODUCTION AND PURPOSE

Q. State your name and qualifications.

A. My name is John G. Anasis. My qualifications are stated in TC/TR-02-Q-BPA-02.

A. My name is Richard L. Haines. My qualifications are stated in TC/TR-02-Q-BPA-09.

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to sponsor the proposed redispatch mechanism in the Transmission Business Line's (TBL's) proposed Open Access Transmission Tariff. TC-02-E-BPA-01, Attachment G.

SECTION 2 REDISPATCH MECHANISM

Q. What is the purpose of the proposed redispatch mechanism?

A. The redispatch mechanism is a tool to be used when the prescheduled firm uses of a path exceed the path capability. It is designed to achieve a least-cost redispatch of resources that still allows all loads to be served.

Q. Do TBL's current tariffs and rate schedules contain redispatch provisions?

A. Yes. They contain provisions for the redispatch of Network Integration Transmission (NT) customers' and BPA's resources. However, TBL has not developed a redispatch protocol, so these provisions have not been used.

Q. *How does TBL currently deal with congestion?*

A. Congestion identified during preschedule is normally handled through pro rata curtailments. In real-time, if it is not practical to use pro rata curtailments, TBL adjusts federal generation within the BPA Control Area. No compensation is provided to the BPA Power Business Line (PBL) for this.

Q. *Why are you proposing a redispatch mechanism rather than continuing to use these same procedures?*

A. With the offering of the Network Contract Demand (NCD) service, we expect a greater share of TBL's customers to be utilizing a tariff service (either the NT or the NCD service) that does not require them to name a Transmission Demand at each Point of Receipt (POR). In order to avoid having to reserve transmission capacity for every conceivable dispatch for these customers, TBL needs the ability to implement a redispatch of resources in order to reduce the usage of a congested path down to its capability.

Q. *Please describe the proposed redispatch mechanism.*

A. The proposal calls for the submittal of incremental and decremental bids for each hour of the preschedule day or days for the purpose of providing redispatch. These bids will be used to address congestion on a preschedule basis. After receiving transmission customers' preschedules, an analysis will be performed for each hour of the coming day or days to assess if any congestion could be expected based on the submitted preschedule data. The bids will then be used to set up a series of counter-schedules to reduce loading on the congested path. The original schedules and North American Electric Reliability Council (NERC) tags

will not be changed on preschedule as a result of this redispatch. This redispatch will only be triggered by NT and NCD transactions that cause the path capability to be exceeded at preschedule.

Q. *Please describe what the incremental and decremental bids are in more detail.*

A. An incremental bid represents the amount of generation that the bidder would be willing to bring on-line as part of the redispatch process. The bid also includes the associated price for providing the generation. A decremental bid represents the amount of generation the bidder is willing to decrease as part of the redispatch process and the price the bidder is willing to pay to lower that generation. For both incremental and decremental bids, the bid must specify if the resource is an individual generator or a system, and also the location of the resource. This specification of the resource location is required in order to analyze the effectiveness of its redispatch for relieving the congestion on a particular transmission path. Furthermore, the generation amount and price offered in the incremental and decremental bids can be different for each hour of the day, subject to the limitation discussed below.

Q. Will any parties be required to submit incremental or decremental bids?

A. Yes, NT and NCD customers will be required to have the operators of their Network Resources submit decremental bids. These decremental bids must be at least equal to the amount of generation the Network Resource is supplying the transmission customer under NT or NCD service for each hour of the coming day. No other parties will be required to submit decremental bids. Furthermore, no party will be required to submit incremental bids.

Q. Why are NT and NCD customers required to submit decremental bids?

A. Unlike Point-to-Point, Integration of Resources, and Formula Power Transmission customers, NT and NCD customers are not required to designate and pay for contract demand at their PORs. The capacity of their Network Resources may exceed their Transmission Demands (for NCD customers) or peak loads (for NT customers). Thus, NT and NCD customers are more likely to contribute to congestion on a path and, hence, drive the need to redispatch.

Q. Why are you proposing a bidding mechanism rather than a system that requires NT and NCD customers to submit incremental and decremental costs?

A. Requiring customers to submit incremental and decremental costs would require TBL to have a mechanism for verifying the accuracy of that data. TBL has no such mechanism in place and anticipates great difficulty in developing one. Much of the generation in the PNW is hydro generation, and incremental and decremental costs for hydro could only be derived from an opportunity cost analysis that would be very assumption-driven. Therefore, TBL is proposing to allow resource owners and operators to submit bids based on their own circumstances and analyses.

Q. Can other customers or resource owners submit bids on a voluntary basis?

A. Yes. These parties may submit decremental or incremental bids for any amount and price they choose.

Q. Will the redispatch mechanism be used on the Montana and Southern Interties?

A. No. The redispatch mechanism is triggered by NT and NCD transactions which cause a transmission path to be congested on a preschedule basis. Since NT and

NCD services are not available on either the Montana or the Southern Interties, the proposed redispatch mechanism will not apply to congestion over those paths.

Q. What will happen if you receive insufficient incremental bids?

A. If TBL does not receive sufficient incremental bids, it will employ pro rata curtailments. The redispatch mechanism will simply not work without adequate incremental bids.

Q. FERC's pro forma tariff requires redispatch of Network Customers and the Transmission Provider (Section 30.7). Why have you eliminated any reference to the Transmission Provider?

A. This reference in the pro forma tariff logically seems to apply to the Transmission Provider's service to native load, since NT service is designed to be comparable to native load service. If the Transmission Provider were taking NT service under the tariff, then the redispatch provisions would automatically apply, and if the Transmission Provider's merchant function were taking PTP service under the tariff, then the redispatch provision should not apply to that service because it does not apply to other PTP customers. Since BPA does not claim any native load and all PBL service will be taken under the tariff, there is no need for a special provision requiring redispatch of PBL's resources.

To the extent transmission of PBL resources is provided for under the NT or NCD tariffs, PBL will be required to submit decremental bids. If the PBL is an NT or NCD contract holder, it will be billed for its share of redispatch costs in the same manner as other NT and NCD customers.

Q. *Why do you not propose to use this same redispatch mechanism to relieve congestion that arises during the real-time day?*

A. The main reason TBL is not proposing to use the incremental/decremental bid mechanism during the real-time day is that we believe that we do not have the time to implement the mechanism in real-time. In the real-time environment, a tremendous amount of schedule data needs to be gathered and assessed every hour in order to implement the schedules on the next hour. Furthermore, the extensive processing of data, and resulting communication with affected parties, has to be completed by very specific deadlines each hour. There is simply not enough time to gather the additional incremental and decremental bid data each hour, analyze it, and set up the necessary resource redispatches to be prepared for the next hour's operation.

This problem could be mitigated to some extent if the incremental and decremental bids that were not selected as part of the preschedule redispatch process were retained and employed as needed in real-time. If this approach were used, then the associated resources would have to be held available. However, TBL's customers indicated during our workshops in late 1999 that they wanted these unselected bids to be released. This was desired so that these resources could be used for other purposes during the real-time day (such as for meeting unexpected loads or to take advantage of short-term marketing opportunities). Hence, TBL does not propose to use unselected bids in real-time. The situation is even more critical if power flow over a path has to be reduced in the current hour due to an unexpected loss of transmission facilities or some other adverse system

condition. Under these circumstances, TBL may have as little as 10 minutes to reduce loads to safe levels as specified by Western Systems Coordinating Council (WSCC) criteria. Curtailment is the only process that can work in this situation.

Q. What is the difference between curtailment and the proposed redispatch mechanism?

A. Curtailment and the proposed redispatch mechanism both result in changes to generation levels. In some cases, curtailment may result in the shedding of load. The primary difference between the two is that, in the case of curtailment, TBL tells the transmission customer to reduce schedules or generation that are using a constrained path. It is then up to the transmission customer to find replacement resources. Under the proposed redispatch mechanism, TBL is responsible for determining both the generation that needs to be reduced and the generation that needs to be increased to relieve the congestion on a preschedule basis. The transmission customer's original schedules are preserved coming out of the preschedule process.

Q. Is TBL reserving the authority to terminate the use of this redispatch mechanism during the rate period?

A. Yes. TBL wants the implementation of the redispatch mechanism to be successful. However, if serious implementation problems arise, such as a lack of adequate bids or submission of inaccurate information, then TBL may have to stop using the redispatch mechanism and revert back to using pro rata curtailments of all firm services on preschedule.

Q. Does this conclude your testimony?

A. Yes.

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TESTIMONY OF

GARY E. STEMLER, WARREN L. MCREYNOLDS AND DENNIS E. METCALF

Witness for Bonneville Power Administration Transmission Business Line

SUBJECT: Ancillary Services

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TESTIMONY OF

GARY E. STEMLER, WARREN L. MCREYNOLDS AND DENNIS E. METCALF

Witnesses For Bonneville Power Administration Transmission Business Line

SUBJECT: ANCILLARY SERVICES

SECTION 1 INTRODUCTION AND PURPOSE

Q. Please state your name and qualifications

A. My name is Gary E. Stemler. My qualifications are stated at TC/TR-02-Q-BPA-19.

A. My name is Warren L. McReynolds. My qualifications are stated at TC/TR-02-Q-BPA-14.

A. My name is Dennis E. Metcalf. My qualifications are stated at TC/TR-02-Q-BPA-15

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to sponsor the Ancillary Services portion of the Open Access Transmission Tariff (Tariff). *See* TC-02-E-BPA-01.

Q. How is your testimony organized?

A. Section 2 describes Bonneville Power Administration (BPA) Transmission Business Line's (TBL) provision of Ancillary Services under the Tariff.

SECTION 2 PROVISION OF ANCILLARY SERVICES

Q. What Ancillary Services are being offered by TBL?

A. TBL is offering the six Ancillary Services identified in the Federal Energy Regulatory Commission (FERC) Order 888 as being necessary to support basic transmission service. These are: (1) Scheduling, System Control and Dispatch

Service; (2) Reactive Supply and Voltage Control from Generation Sources Service; (3) Regulation and Frequency Response Service; (4) Energy Imbalance Service; (5) Operating Reserve -- Spinning Reserve Service; and (6) Operating Reserve -- Supplemental Reserve Service.

Q. Who must purchase Ancillary Services?

A. The first two services are being offered to and must be purchased by all Transmission Customers. This includes customers taking service for delivery into, out of, within, or through the BPA Control Area. The other four services must be purchased or otherwise provided by Transmission Customers who meet the conditions described under each service.

Q. What options do Transmission Customers have for acquiring Ancillary Services?

A. Customers may purchase Ancillary Services from the TBL. The customer may also chose to satisfy some or all of its Ancillary Service needs by self-supply or purchase from a third party; *provided* it can demonstrate to TBL's satisfaction that it has acquired the Ancillary Services in a manner that is technically achievable and which conforms to the criteria and standards established by TBL for provision of the specific Ancillary Service, including the relevant North American Electric Reliability Council (NERC), Western Systems Coordinating Council (WSCC), and Northwest Power Pool (NWPP) reliability criteria.

Q. Who must acquire Regulation and Frequency Response Service?

A. Transmission Customers serving load in the BPA Control Area must acquire this Ancillary Service.

Q. Who must acquire Energy Imbalance Service?

A. Transmission Customers serving load in the BPA Control Area must acquire this Ancillary Service.

Q. Who must acquire Operating Reserve-Spinning Reserve Service ?

A. Transmission Customers serving firm load from generation sources in the BPA Control Area must acquire this Ancillary Service.

Q. Who must acquire Operating Reserve-Supplemental Reserve Service?

A. Transmission Customers serving firm load from generation sources in the BPA Control Area and Transmission Customers serving load in the BPA Control Area from sources that may be interrupted upon ten minutes' notice.

Q. How did Bonneville develop the criteria that must be met for self-supply and third party purchase of Ancillary Services?

A. The criteria for Transmission Customers who wish to self-supply or third-party supply were developed consistent with reliability criteria the BPA Control Area must meet. These include criteria established by NERC, WSCC, and the NWPP. The specific criteria will be posted on the Open Access Same-Time Information System (OASIS), and may be updated from time to time.

Q. How are the rates for Ancillary Services determined?

A. The rates and methodologies used to establish charges for Ancillary Services are described in the Transmission Rate Study, TR-02-E-BPA-03.

Q. How does TBL's Tariff proposal for Ancillary Services differ from the FERC pro forma tariff?

A. Differences between the FERC *pro forma* tariff and the proposed TBL Tariff are due to the specific regional requirements of the WSCC and the NWPP. The Operating Reserves, both spinning and supplemental, are a Control Area reliability obligation which, in the FERC *pro forma* tariff, is attributable to *loads* in the Transmission Providers Control Area. In the proposed TBL Tariff, due to the WSCC and NWPP reliability and reserve criteria, the reserve requirement of the Transmission Customer is attributed to *load obligation* of the Control Area. Load obligation includes firm exports and firm imports for which reserves are provided. Thus, the BPA Control Area has reserve obligations that are based upon the amount of energy being *generated* in the Control Area (including exports) to serve firm load, and not on load only within the Control Area.

Q. Does this conclude your testimony?

A. Yes.